

REMARKS

Claims 11, 12, 14-20, 81, 83-100, 103-116, 118-126, 128-129 and 130-144 remain pending in the application, with claims 11, 81, 108, 118 and 119 being independent. Claims 82, 101, 102, 117 and 127 were cancelled without prejudice or disclaimer, and claims 130-144 were newly presented in the previous response. Claim 11 has been amended to correct an informality. No new matter has been added. In view of the following remarks, reconsideration and allowance are requested.

I. THE ART OF RECORD DOES NOT ANTICIPATE CLAIMS 81, 88-91, 119-122, 123 AND 128-129.

Claim 81, which is illustrative, recites a method of operating an electronic market under *a legal framework*, which imposes certain *requirements* on the seller to *convey physical and legal ownership if the buyer meets one or more seller-specified conditions of sale including a sale price*.

A method for using a computer system, operating on a communications network comprising one or more central nodes communicably coupled to a plurality of user nodes corresponding to one or both of buyers and sellers, to facilitate a transaction between a seller and at least one buyer, the method performed by a computer system at a central node comprising:

hosting an electronic marketplace having an operably coupled transaction processor for processing transactions between buyers and sellers;

operating the electronic marketplace under *a legal framework that imposes requirements on sellers of items, the legal framework including requirements that an item posted for sale is available for physical and legal ownership transfer to a buyer and that the seller is legally required to convey physical and legal ownership of the item if the buyer meets one or more seller-specified conditions of sale including a sale price*;

receiving information from a seller corresponding to an item to be sold, the received information including a data record corresponding to the item to be sold, the data record including a description of the item to be sold, a sale price for the item, and a header including seller-specific identification information, the received data record representing a binding offer by the seller to sell the item;

verifying authenticity of the received data record based at least in part on the received seller-specific identification information;

if the received data record is successfully authenticated:

(i) presenting to a plurality of potential buyers the seller's binding offer to sell the

item, the presented binding offer to sell including at least a binding offer price;
(ii) receiving from at least one buyer a binding acceptance of the binding offer, the received binding acceptance including payment information sufficient to authorize payment of the offer price to a third-party, said acceptance giving rise to a legal obligation by the seller to convey physical and legal ownership to said buyer;
(iii) temporarily locking the data record corresponding to the item;
(iv) processing the purchase transaction using the received payment information and the transaction processor operably coupled to the electronic marketplace; and
(v) unlocking and updating the data record corresponding to the item to indicate ownership of the item by the buyer.

As discussed below, the above-highlighted and other express claim limitations are neither taught nor suggested by the art of record.

A. The System In Nahan Is Not An Electronic Marketplace.

As shown above, claim 81 recite “an electronic marketplace having an operably coupled transaction processor for processing transactions between buyers and sellers.” The transaction processor allows the transactions to be consummated electronically by processing payment information received from the buyers. Once the transactions are processed and consummated, a legal duty arises for the seller to transfer “physical and legal ownership” to the buyers.

In contrast, Nahan discloses an multimedia marketing system for providing an electronic catalog of artwork for a network of art dealers. *See Nahan* at Col. 13, line. 47 – Col. 14, line 49; FIG. 24. Each art dealer can access inventories from other art dealers to offer to clients. *See id.* The marketing system in Nahan is not an electronic marketplace for processing transactions between buyers and sellers as claimed in the present application. *See Declaration Under 37 C.F.R. § 1.132 of Alfred C. Weaver, Ph.D. Supporting Patentability of copending U.S. Patent Application Reexamination No. 90/006,956 at ¶16 (“Weaver Dec. A”).*¹ The Federal Circuit’s opinion in *MercExchange v. eBay*, 401 F.3d 1323 (Fed. Cir. 2005), also compels this conclusion. *See, e.g., MercExchange*, 401 F.3d at 1330 (“The system claimed by the [Nahan] patent, however, does not receive payments electronically. Rather, the system ‘requests that the buying

¹ Although both this and the other declaration of Dr. Weaver submitted herewith were prepared in connection with other co-pending *MercExchange* matters, they apply with equal force as to the scope and content of the prior art, including *Nahan* and *Save the Earth*.

dealer wire transfer funds to pay for the purchased work.' [Nahan] patent, col. 14, ll. 62-64. Instead of being able to complete a transaction on the electronic network, a buyer using the invention of the [Nahan] patent must temporarily leave the system to make a payment before the transaction can be completed."'). *MercExchange*, 401 F.3d at 1330 (emphasis added).

Indeed, the system in Nahan is incompatible with such an electronic marketplace since a potential buyer (client) must visit one of the art dealers and rely upon the art dealer to search and purchase a desired artwork. *See id.* at Col. 13, lines 47-48; Weaver Dec. A at ¶ 16. More particularly, each art dealer can act as a buying dealer or a listing dealer. If one of the buying dealer's client (buyer) wishes to purchase a work from the listing dealer's ("the seller dealer") inventory, then the buying dealer can use Nahan's system to "place a buy order on behalf of [the] client." Nahan's system then generates an order confirmation and assigns a transaction number. *See Nahan* at Col. 13, lines 47-48.

By providing the art dealers exclusive access to the list of artworks (electronic catalog) to search and purchase artworks offline on behalf of their customers, the system in Nahan was effectively designed to increase individual art dealer's in-store gallery sales. *See, e.g., Nahan*, Col. 2, ll. 44-45; 50-59; Col. 5, l. 59-Col. 6, l. 25; Col. 7, ll. 34-36; FIG. 2. *See also* Weaver Dec. A at ¶¶ 16-17. Individual customers could not personally search the electronic catalog to purchase a desired artwork, and no individual other than the dealers could list an artwork for sale online. *See, e.g., Nahan Patent*, Col. 7, ll. 34-44; Col. 14, ll. 29-46. *See also* Weaver Dec. A at ¶ 18-19.

Also, Nahan did not include, and does not disclose or suggest, an "operably connected transaction processor" as recited in claim 81. *See* Weaver Dec. A at ¶ 39. Thus, the system in Nahan was incapable of processing a sales transaction to cause a legal obligation to arise on the buyer to transfer physical and legal ownership of the purchased item. After the buying dealer and the listing dealer agreed in theory to sell an artwork on behalf of the buying dealer's customer, a payment was made to an escrow account using an offline bank wire transfer. *Nahan Patent*, Col. 13, l. 62 to Col. 14, l. 14. Because the system in Nahan was limited to offline bank wire transfers, completion of a sale was not immediate and could take days. *See* Weaver Dec. A

at ¶ 39. In contrast, the transaction processor as recited in claim 81 processes transactions immediately online.

Further, the customer in Nahan's system could not immediately determine if the desired artwork was available for sale. Nahan Patent, Col. 13, ll. 47-53. Rather, a customer in Nahan had to wait for the buying dealer to contact the listing dealer to "confirm that the work sold is still available." *See id.* at Col. 13, lines 48-51. Because the system in Nahan was incapable of processing transactions, there was no need to provide an updated list of inventories.

B. Nahan Also Fails To Teach Operating An Electronic Market Place under a Legal Framework

The present disclosure is directed to a "trusted network" designed to foster trust in an online transaction. Various ways to foster trust are disclosed including ensuring that the seller is legally able to consummate the transaction and that the listing of a good for sale on the market constitutes a legally binding offer to sell the good at a predetermined sales prices set forth in the listing. *See, e.g.*, Specification, page 11, lines 15-17. Amended claim 81 expressly recites operating an electronic marketplace under a legal framework.

In contrast, the system in Nahan does not provide a legal framework. In fact, since the system in Nahan cannot process transactions between buyers and sellers, a legal framework is not necessary or applicable. In Nahan, both the listing dealer and the buying dealer are able to cancel a sales transaction *even after* the bank wire transfer of the purchase monies. *See* Nahan at Col. 13, lines 48-51. *See also*, Weaver Dec. A at ¶¶ 53, 69-70. The sale is not assured, if at all, until the listing dealer is requested to "confirm that the work ***sold*** is still available." Emphasis added. *See* Nahan at Col. 13, lines 48-51. Therefore, Nahan does not even guarantee that the supposedly ***sold*** artwork is available for the buyer to take physical and legal ownership, and thus fails to impose any legal requirements on the listing dealer to fulfill its end of the bargain and complete the sales transaction. If the seller dealer does confirm the artwork is available, confirmation is sent to both the listing dealer and the buying dealer notifying them of the acceptance. *See* Nahan, Col. 13, lines 54-64.

If the listing dealer confirms that the work is still available, an acceptance notification is electronically conveyed to the listing dealer. At the same time, an order acceptance is conveyed to the buying dealer...Finally, the system requests that the buying dealer wire transfer funds to pay for the ***purchased work***.

Moreover, even when the buying dealer believes that the artwork has been sold, the listing dealer is not required to complete the transaction by conveying physical and legal ownership. See Nahan, Col. 15, lines 44-65; Weaver Dec. A at ¶¶ 53, 69-70.

Since there are generally significant advantages to a listing dealer when he can sell artwork from his own inventory to a customer in his own gallery (e.g. ***higher profit margin***, no time delays, no shipping, etc.) the system provides the listing dealer with the ability to ***override reservations and sales to other dealers***. In such circumstances, when the listing dealer becomes the buying dealer, the system presents the listing dealer with a notice, dependent upon the status of the transaction with the other buying dealer. When the "Purchase" button is clicked by the listing dealer for a work that is ***already reserved***, by another buying dealer, the system electronically issues a transaction progress notice and requests confirmation by the listing dealer and buying dealer that his new sales transaction should go forward. Similarly, when the purchase button is clicked by the listing dealer for a ***work that has been purchased*** by another buying dealer, the system issues a sale in progress notice and requests confirmation by the listing/buying dealer that the new transaction should go through.

Nahan, Col. 15, ll. 44-65.

As clearly stated in above passage, the listing dealer is allowed to override reservations and sales by another listing dealer at his discretion. Even when the buying dealer has met all listing dealer conditions for sale, the listing dealer is under no obligation to sell the item for sale. In fact, Nahan's system is biased towards the seller dealer, and imposed no such ***legal requirements to convey physical and legal ownership to the buyer*** as recited in claim 81. Nahan's system allows the seller dealer to cancel sales to a buying dealer anytime other buying dealers are willing to provide a higher profit margin to the seller dealer. Although Nahan teaches that a penalty may be levied against the seller dealer for such practices, nevertheless, it is

allowed to occur in Nahan's system. Similarly, the buying dealer could reject an artwork even after the delivery. *See Weaver Dec. A at ¶ 53, 69-70.* Thus, Nahan discloses an "on approval" sale contingent on a final approval by the buyer after the delivery.

In other words, unlike claim 81 which expressly recites a legal framework that imposes requirements on sellers of items (i.e., that an item posted for sale is available for physical and legal ownership transfer to a buyer and that the seller is legally required to convey physical and legal ownership of the item if the buyer meets one or more seller-specified conditions of sale including a sale price) *sellers in Nahan are under no legal requirements whatsoever* to so perform. To the contrary, Nahan repeatedly and expressly *teaches away* from imposing any such requirements.

In addition, since Nahan's system allows the seller dealer to override previous sales to buying dealers, Nahan fails to teach *temporarily locking the data record* and *unlocking and updating the data record corresponding to the item to indicate ownership of the item by the buyer*.

Even after the buyer has transferred funds after *purchasing* the artwork, the seller dealer is still under no *legal requirement to convey physical and legal ownership to the buyer*. Nahan's system allows the seller dealer to cancel the sale simply by not shipping the artwork. *See Nahan at Col. 15, lines 6-17.*

After a predetermined period of time, *if the listing dealer fails to ship the purchased work*, of fails to notify the system that the work has been shipped, the system initiates a confirmation request. If there is still no response, *the system cancels the transaction* and sends an order nullification to the listing dealer...*Thereafter the system issues a notice for the return transfer of the buying dealer's escrowed funds and a wire transfer advice when completed.*

Nahan at Col. 15, lines 6-17.

Clearly, Nahan's system fails to teach or suggest imposing any *legal requirements* on the seller dealer, and therefore there is no guarantee that even the artwork *purchased and paid for* by the buying dealer will actually be shipped by the seller dealer.

C. The Remainder Of The Cited Prior Art Also Fails To Teach Operating An Electronic Marketplace Under A Legal Framework

The other references fail to cure the deficiencies of Nahan. For example, *Save the Earth* relates to an Internet-based auction in which "Internet users will be able to view full color images of the posters to be auctioned online, check current bids and their own bids online." However, *Save the Earth* fails to disclose or suggest operating an electronic marketplace under a legal framework, which imposes legal requirements on the listing dealer to convey physical and legal ownership of the item for sale. See Declaration Under 37 C.F.R. § 1.132 of Alfred C. Weaver, Ph.D. Supporting Patentability of copending U.S. Patent Application No. 90/006,984 at ¶¶ 37-38 ("Weaver Dec. B"). *Save the Earth* is simply silent to the subject matter.

Ginter relates to an electronic trusted delivery system or an electronic go-between for exchanging secure documents, picture, files, etc. between parties over an electronic network. See, e.g., Ginter Patent, Col. 15, lines 35-55. Although Ginter teaches exchanging various items including sale transactions documents for purchasing an automobile, (See Ginter at Col. 51, lines 2-34 and FIG. 125), Ginter fails to teach operating an electronic marketplace under a legal framework as recited in claim 81. In addition, Ginter fails to teach receiving data from a seller including a header including seller-specific identification information. Ginter also is silent on verifying authenticity of the received data record based at least in part on the received seller-specific identification information, receiving a binding offer for sale from the seller, and requiring authentication of the received data record. Rather, Ginter teaches a go-between for the buyer and seller to exchange information and documents, and thus the buyer is not able to receive the car dealer's ("seller's") offers for sale directly or search for cars in seller's inventory directly. The go-between of Ginter requests the desired car information on behalf of the buyer. See, e.g., Ginter at Col. 51, lines 2-34; FIG. 125. In essence, Ginter teaches an electronic version of the artwork dealer in Nahan, and thus suffers from similar deficiencies. Ginter fails, just as Nahan does, to allow buyers and sellers to consummate a binding transaction under a legal framework. Consequently, Ginter fails to teach imposing on the seller certain legally requirements to transfer physical and legal ownership of the item once the buyer meets the seller specified requirements.

Martin also fails to disclose or suggest an electronic marketplace having an operably coupled transaction processor operating under a legal framework as recited in claim 81. Martin describes a real estate auction conducted by an auctioneer for a fee. *See* Martin at pg. 247, 4th ¶ - pg. 248, 2nd ¶. However, Martin does not disclose or suggest operating the real estate auction at an electronic marketplace having an operably coupled transaction processor. *See id.* at pgs. 247-248. In fact, Martin discloses no information that could be used to enable an electronic marketplace. Therefore, Martin is unrelated to the electronic marketplace as recited in claim 81.

Lawrence (USP 5,915,209) also fails to disclose or suggest operating an electronic marketplace under a legal framework that imposes certain requirements to the seller to convey legal and physical ownership to the buyer, as recited in claim 81. Lawrence is directed to a computer system for trading municipal bonds. *See* Lawrence at Col. 5, ll. 22-45. The computer system in Lawrence is distinguishable from the recited electronic marketplace for various reasons. Since the system in Lawrence is limited to trading municipal bonds, only those qualified traders have access to the system, and similar to Nahan, the general public cannot list a good for sale or personally purchase a good. In addition, the system in Lawrence provides the seller with the absolute right to refuse or accept "bids" to buy the municipal bonds. *See* Lawrence at Col. 6, ll. 20-32. The selling trader distributes "bids wanted" to multiple buying traders, and when "bids" to buy are received in reply from the buying traders, the selling trader decides which if any to accept. *See id.* In contrast, claim 81 recites that "buyer tendering acceptance by providing payment information, said acceptance giving rise to a legal obligation to the sellers to convey physical and legal ownership to said buyer." Therefore, the buying traders in Lawrence are not tendering acceptances as recited in claim 81. Similar to Nahan, the system in Lawrence allows the seller to cancel a completed trade. *See id.* at Col. 13, ll. 36-44.

Further, the system in Lawrence was not designed to be implemented as an electronic marketplace as recited in claim 81. Lawrence discloses that the "bids wanted" message is preferably distributed via a fax broadcast. *See* Lawrence at Col. 10, ll. 30-42. In fact, Lawrence believes a fax broadcast to be "the fastest available means" that requires no additional equipment. *See id.*

D. The Prior Art of Record Fails Teach Receiving Information from Seller Including a Header Information Including Seller-Specific Identification Information

Nahan's system also fails to teach receiving information from seller including *a header information including seller specific identification information* as recited in claim 81. In claim 81, the received information is verified based on at least the seller-specific identification information, and only if the received information is authenticated, *binding offers to sell* are sent out to potential buyers. Therefore, potential buyers actively receive *binding offers to sell* from multiple sellers, and acceptance of the *binding offers to sell* can be sent by the potential buyers by providing *payment information*. Once the *binding offers to sell* are accepted by the buyer, it *gives rise to a legal obligation by the seller to convey physical and legal ownership to said buyer*.

In contrast, Nahan's system is related to a network of artwork dealers accessing inventories of other dealers. As such, Nahan includes no disclosure or suggestion of binding offers at all. (To the contrary, as discussed above, Nahan repeatedly teaches that its so-called transactions can be terminated by the seller short of consummation at any number of points in the process. As such, Nahan explicitly teaches away from binding offers to sell.) Rather, in response to a client request, a buying dealer *searches* for artwork similar to those desired by the client. *See* Nahan at Col. 3, lines 31-43. Nahan's system does not implement receiving any information from the seller, let alone authenticating said information before any sales transaction can be initiated. In contrast, Nahan's system teaches that it is the buying dealer that sends *an(so-called offer to purchase)* to the seller dealer. *See id.* at Col. 13, lines 47-64. It is the seller dealer in Nahan that "accepts" the offer to purchase. (Here too, because the selling dealer in Nahan is not committed to follow through with the transaction, he is not truly "accepting" an offer to sell in any true legal sense.) This leads to several shortcomings of Nahan's system as previously described above.

Because the information from the seller dealer is not authenticated in Nahan, the buying dealer has no way of knowing if the artwork he is attempting to purchase is actually available. In addition, even after purchasing and paying for the artwork, the buying dealer is not guaranteed to

receive the artwork. This is because Nahan's system does not require an acceptance by the buyer *giving rise to a legal obligation by the seller to convey physical and legal ownership to said buyer* as recited in claim 81.

The addition of the other references fails to alleviate the deficiency of Nahan as similarly described in part C above.

For at least these reasons, Nahan, Ginter, Save the Earth, Martin, and Lawrence fail to disclose each and every features of claim 81, and thus claim 81 is patentable over the cited prior art. Claim 119 recite similar features as claim 81, and thus is patentable over the cited prior art for at least the reasons set forth with respect to claim 81 above.

E. The art of record fails to teach or suggest each and every elements of the dependent claims

The remaining claims 88-91, 120-122, 123, and 128-129 each depends directly or indirectly from one of the independent claims discussed above. Accordingly, these dependent claims are allowable for the reasons that their respective independent claims are allowable and for reciting allowable subject matter in their own right. Independent consideration and allowance of the dependent claims are requested.

F. There Is No Motivation to Combine The References And No Combination Of The Cited Prior Art Renders Claims 81, 88-91, 119-122, 123 and 128-129 Obvious

First, no motivation exists to combine the references to purportedly arrive at the claimed inventions. To the contrary, specific disincentives to combine the references exist. For example, as discussed above, Nahan repeatedly and expressly teaches away from finality of transaction, binding seller obligations and the like, but instead embraces the concept that sellers should be free, without legal consequence, to terminate a transaction at almost any point in the process. Consequently, a person of skill in the art seeking to modify Nahan's presentation system would be *discouraged* from using any of the contract negotiation mechanisms of Ginter, which would undermine Nahan's desire to leave selling dealers legally unencumbered.

But even if *arguendo* Nahan, Ginter, *Save the Earth*, Martin, and Lawrence could somehow be combined, none of the hypothetical combinations would render claims 81, 88-91, 119-122, 123 and 128-129 obvious. All of the references lack similar features. For example, each of the references fails to disclose or suggest operating an "electronic marketplace under a legal framework that imposes requirements of sellers of items" as required in the claims. Therefore, there are no combinations of the references that would disclose each and every features of the claims.

II. Claims 11, 12, 14- 20, 83-87, 92-100, 102, 107-116, 118, 123, and 125-126 Are Not Obvious From the Examiner's Combinations of References

Independent claims 11 and 108 recite similar features as claims 81 and 119, and thus the references also fail to disclose or suggest each and every element of independent claims 11 and 108 for at least the reasons set forth with respect to claims 81 and 119 above. Likewise, for the same reasons set forth above, there are no combinations of the references that render claims 11 and 108 obvious.

For the same reasons as those set forth with respect to independent claims 11, 108 and 119, Ginter, Nahan, *Save the Earth*, Martin, and Lawrence fail to disclose each and every element of dependent claims 12, 14- 20, 83-87, 92-100, 102, 107, 109-116, 118, 123 and 125-126. Further, there are no combinations of the references that render the dependent claims obvious.

III. Newly Added Claims Are Patentable Over the Prior Art of Record.

New claims 130 – 144 are directed to additional ways to foster trust in an online transaction by policing the electronic marketplace. Claims 130, 133, 136, 139, and 142 recite a method of selectively revoking access to the electronic marketplace by misbehaving users. The prior art of record includes no disclosure or suggestion of policing the electronic marketplace as recited in the present claims. Related to previously mentioned claims, claims 131, 134, 137, 140, and 143 recite a method of revoking access to electronic marketplace by a seller that has failed to comply with one or more requirements of the legal framework under which the electronic

marketplace is operated. Since none of the prior art of record, either alone or in combination, teaches or suggests any legal framework imposing legal requirements, there are no requirements to meet. Thus, the prior art of record fails to teach said method of revoking access to electronic marketplace.

Further related to the claims mentioned above, claims 132, 135, 138, 141, and 144 recite a further method of revoking access to the electronic marketplace by a buyer that has failed to provide payment information sufficient to facilitate payment for purchase of the item. The prior art of record also fails to teach or suggest the subject matter of these claims. For example, Nahan teaches an offline wire transfer system, which is independent of the sales transaction system.² In addition, the wire transfer of the payment occurs after the *offer for purchase* has been accepted by the seller dealer (Col. 13, lines 54-64). Therefore, the seller dealer is allowed to accept the *offer for purchase* even if the buying dealer cannot meet the payment requirement.

² See *MercExchange, LLC v. eBay, Inc.*, 401 F.3d 1323, 1330 (Fed. Cir. 2005). ("The system claimed by the [Nahan] patent, however, does not receive payments electronically. Rather, the system "requests that the buying dealer wire transfer funds to pay for the purchased work." [Nahan], col. 14, ll. 62-64. Instead of being able to complete a transaction on the electronic network, a buyer using the invention of the '111 patent must temporarily leave the system to make a payment before the transaction can be completed").

Applicant : Thomas G. Woolston
Serial No. : 09/166,779
Filed : October 6, 1998
Page : 28 of 28

Attorney's Docket No.: 13466-002001

IV. Conclusion.

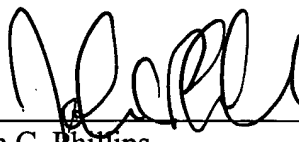
It is believed that all of the pending claims have been addressed. However, the absence of a reply to a specific rejection, issue or comment does not signify agreement with or concession of that rejection, issue or comment. In addition, because the arguments made above may not be exhaustive, there may be reasons for patentability of any or all pending claims (or other claims) that have not been expressed. Finally, nothing in this paper should be construed as an intent to concede any issue with regard to any claim, except as specifically stated in this paper, and the amendment of any claim does not necessarily signify concession of unpatentability of the claim prior to its amendment.

Please apply any charges or credits to deposit account 06-1050.

Respectfully submitted,

Date: _____

7/31/06



John C. Phillips
Reg. No. 35,322

Fish & Richardson P.C.
12390 El Camino Real
San Diego, California 92130
Telephone: (858) 678-5070
Facsimile: (858) 678-5099